

LKQ Europe expects workshop business to recover by mid-year

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CEO Arnd Franz says the timing of a recovery will depend on the state, in Automobilwoche interview published today – LKQ's focus is on providing support for long-term customers – Investment in new central warehouse will also still continue.

Munich, Germany. Europe's largest distributor for automotive spare parts in the aftermarket, expects the workshop business to recover at the end of the second quarter or beginning of the third quarter says its CEO.

In an interview published with trade magazine „Automobilwoche“ published today, LKQ Europe CEO, Arnd Franz said: “I assume that we will definitely see a decline in 2020 compared to 2019. When the recovery will take place depends on the state, the federal government, the federal states and neighbouring countries. Perhaps we will have a chance of recovery towards the end of the second quarter, but perhaps not until the third quarter.”

LKQ Europe continues to supply workshops who are still trading with parts, even during the shutdown, supplying over 15,000 workshops in Germany every day. It is also supporting workshops in applying for financial aid and liquidity assistance provided by the federal and state governments due to the coronavirus crisis. Arnd continued: „In many cases, we maintain long-term business relationships with our customers and want to help to ensure that healthy businesses do not get into trouble just because the application process is delayed.“ To support this, LKQ Europe is providing workshops with a confirmation of the business relationship as credit information which can be handed into the house bank with the application for funding. The background to this is that European CEO Arnd Franz sees the danger of banks being hesitant to assume the 10 to 20 percent residual risk in the loans.

LKQ Europe is sticking to its biggest investment this year; the construction of a new central warehouse for the Netherlands. Arnd Franz said: „We are providing a medium double-digit million-euro amount for this. Our plan is to complete this project by the end of the year. This will not change at all.“ Other investments are currently under close review in view of the crisis - „not only to adjust capacity, but also to secure liquidity,“ he continued.

The aftermarket business with automotive spare parts in Europe is a 100-billion-euro market and LKQ generates a turnover of just over five billion euros in Europe. A total of around 700,000 people work in the automotive spare parts trade, including around 27,000 employees at the market leader; LKQ Europe. „Europe is a highly fragmented market,“ said Arnd Franz. „A certain order of magnitude is needed for the investments that will be necessary in the future. We have that, many others do not.“

But Mr Franz sees no threat to the parts and workshop business in the growing proportion of electric vehicles whose drive requires less maintenance:

„This will certainly have an impact; we expect the plug-in hybrid to give a certain boost to the workshop, which will then have to deal with both conventional powertrains and high-voltage technology“.

In the long term, Arnd Franz expects less business from the powertrain area and more from the body and assistance systems areas. He concludes: „The independent workshops will adapt to this just as the OE-dealers are already doing today.“

About LKQ Europe

LKQ Europe, a subsidiary of LKQ Corporation, is the leading distributor of automotive aftermarket parts for cars, commercial vans and industrial vehicles in Europe. It currently employs around 27,000 people in over 20 European countries with a network of 1,100 branches and more than €5.2 billion in revenue in 2019. The group is represented by Euro Car Parts, Fource, Rhiag Group, Elit, AutoKelly, Stahlgruber Group, as well as recycling specialist, Atracco. LKQ also holds a minority interest in Mekonomen.

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